

Senate Bill No. 527

Passed the Senate September 10, 1999

Secretary of the Senate

Passed the Assembly September 9, 1999

Chief Clerk of the Assembly

This bill was received by the Governor this _____ day
of _____, 1999, at _____ o'clock ____M.

Private Secretary of the Governor

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CHAPTER _____

An act to add and repeal Article 5.6 (commencing with Section 11629.9) of Chapter 1 of Part 3 of Division 2 of the Insurance Code, and to add Section 16020.2 to the Vehicle Code, relating to vehicles.

LEGISLATIVE COUNSEL'S DIGEST

SB 527, Speier. Automobile insurance: low-cost policies.

Existing law requires motorists to demonstrate financial responsibility by one of various means, including an automobile liability insurance policy. Existing law specifies minimum coverages for the policy. Existing law requires insurers to participate in a plan, commonly known as the California Automobile Assigned Risk Plan, to provide automobile insurance to those otherwise unable to obtain coverage.

This bill would require insurers that participate in the assigned risk plan to also participate in a pilot program established by the Insurance Commissioner for the City and County of San Francisco to offer, until January 1, 2004, a low-cost automobile insurance policy. The low-cost policy would provide coverage of \$10,000 for liability for bodily injury or death to one person, subject to a cumulative limit of \$20,000 for all persons, and \$3,000 for liability for damage to property. The policy would satisfy the financial responsibility laws.

This bill would specify annual rates offered initially under the pilot program, until the time as the rates are adjusted in accordance with procedures established in the bill. The bill would also specify certain surcharges to be added to the base rate in certain cases.

The bill would also provide that certain financial responsibility requirements do not apply in the City and County of San Francisco on and after January 1, 2004.



The people of the State of California do enact as follows:

SECTION 1. It is the goal of the Legislature that the pilot program established by this act, if successful, should be expanded statewide.

SEC. 2. Article 5.6. (commencing with Section 11629.9) is added to Chapter 1 of Part 3 of Division 2 of the Insurance Code, to read:

Article 5.6. City and County of San Francisco
Low-Cost Automobile Insurance Pilot Program

11629.9. (1) There is established, within the California Automobile Assigned Risk Plan established under Section 11620, a low-cost automobile insurance pilot program for the City and County of San Francisco.

(2) The commissioner, after a public hearing, shall approve or issue a reasonable plan for the equitable apportionment, among insurers required to participate in the California Automobile Assigned Risk Plan established under Section 11620, of persons residing in the City and County of San Francisco who are eligible to purchase through the pilot program established in that city and county a low-cost automobile insurance policy, as described in Section 11629.91. The pilot program shall be conducted in conjunction with the California Automobile Assigned Risk Plan established under Section 11620.

11629.91. A low-cost automobile insurance policy for purposes of the pilot program established under this article shall have all of the following attributes:

(a) The policy shall offer coverage in the amount of ten thousand dollars (\$10,000) for bodily injury to, or death of, each person as a result of any one accident and, subject to that limit as to one person, the amount of twenty thousand dollars (\$20,000) for bodily injury to, or death of all persons as a result of any one accident, and the amount of three thousand dollars (\$3,000) for damage to property of others as a result of any one accident.

(b) The policy shall have an initial term of one year, renewable on an annual basis thereafter.

(c) The policy shall cover the person named in the policy, and to the same extent that insurance is provided to the named insured, any other person using the automobile, provided the use is with his or her permission, express or implied, and within the scope of that permission, except that the policy shall not cover members of the named insured's household who do not satisfy the requirements of subdivisions (b) to (e), inclusive, of Section 11629.93.

(d) The policy shall provide coverage for an automobile with a value, at the time of purchase by the insured, of twelve thousand dollars (\$12,000) or less, as evidenced by the value given to the automobile by the Department of Motor Vehicles in assessing vehicle license fees.

11629.92. (a) The annual rate offered initially under the pilot program for the low-cost automobile insurance policy, until the time that the rate is adjusted, shall be four hundred ten dollars (\$410). A surcharge of 25 percent of the base rate shall be added if the named insured is an unmarried male between the ages of 19 and 24, inclusive, or if an unmarried male between the ages 19 and 24, inclusive, resides in the household of the named insured and will be a driver of the automobile covered under the low-cost policy.

(b) In addition to existing premium installment options offered by The California Automobile Assigned Risk Plan under Article 4 (commencing with Section 11620), the plan shall also make available to insureds under the pilot program, a premium installment option pursuant to which an insured is required to pay one hundred dollars (\$100) upon issuance of the low-cost policy, followed thereafter by six other payments. No other premium financing arrangement shall be permitted.

(c) Rates for policies issued under the pilot program shall be reviewed and revised as follows:

(1) Rates shall be sufficient to cover (A) losses incurred under policies issued under the pilot program, and (B) expenses, including, but not limited to, all



reasonable and necessary expenses such as the costs of administration, underwriting, taxes, commissions, and claims adjusting, that are incurred due to participation in this pilot program. For purposes of this paragraph, “losses incurred” means claims paid, claims incurred and reported, and claims incurred but not yet reported. In assessing loss reserves, the commissioner shall only allow loss reserves that are estimated from actual losses in the pilot program or comparable data by a licensed statistical agent, as adjusted to reflect coverage provided in this pilot program.

(2) Rates shall be set so as to result in no projected subsidy of the pilot program by those policyholders of insurers issuing policies under the pilot program who are not participants in the pilot program.

(3) Rates shall be set with respect to this pilot program, and the pilot program established in Article 5.5 (commencing with Section 11629.7) of the 1999–2000 Regular Session, so as to result in no projected subsidy by policyholders in one pilot program of policyholders in the other pilot program.

(4) Commencing on January 1, 2001, and annually thereafter, the California Automobile Assigned Risk Plan shall submit the loss and expense data, together with a proposed rate for the low-cost automobile policy for the pilot program, to the commissioner for approval in accordance with this chapter. The commissioner shall act on the recommendation within 90 days.

11629.93. A low-cost automobile insurance policy under the pilot program shall only be available for purchase by persons who satisfy the following eligibility requirements:

(a) The person shall be in a household with a gross annual household income that does not exceed 150 percent of the federal poverty level.

(b) The person shall be no less than 19 years of age and have been continuously licensed to drive an automobile for the previous three years.

(c) The person shall have not more than one of either, but not both, of the following within the previous three years:

(1) A property damage only accident in which the driver was principally at fault.

(2) A point for a moving violation.

(d) The person shall not have on record within the previous three years, an at-fault accident involving bodily injury or death.

(e) The person shall not have a felony or misdemeanor conviction for a violation of the Vehicle Code on his or her motor vehicle record.

(f) The person shall not be a college student claimed as a dependent of another person for federal or state income tax purposes.

11629.94. (a) Application may be made through any producer certified by the plan. The applicant, in order to demonstrate financial eligibility to purchase a low-cost automobile insurance policy under the pilot program, shall present at the time of applying for the policy, a copy of the applicant's federal or state income tax return for the previous year or other reliable evidence from a governmental agency or governmental means-tested program of the applicant's gross annual household income, pursuant to regulations issued under subdivision (b) of Section 11629.99.

(b) The applicant shall certify that the representations made in the documents submitted as proof of financial eligibility and in the application for the policy are true, correct, and contain no material misrepresentations or omissions of fact to the best knowledge and belief of the applicant.

(c) The certified producer shall forward the application, supporting documents, and the applicant's certification to the California Automobile Assigned Risk Plan.

11629.95. (a) A certified producer shall provide to an applicant for a low-cost automobile insurance policy under this article a notice relating to coverage under the policy. The notice shall be provided in a separate



document at the time of application, and include the following statement in 14-point boldface type:

“NOTICE

INSURANCE COVERAGE PROVIDED IN THE POLICY YOU ARE BUYING CONTAINS REDUCED LIABILITY COVERAGE FOR PERSONAL INJURIES OR PROPERTY DAMAGE RESULTING FROM THE OPERATION OF THE INSURED VEHICLE. IF LOSSES FROM AN AUTOMOBILE ACCIDENT EXCEED THE COVERAGE PROVIDED BY THIS POLICY, YOU CAN BE HELD PERSONALLY LIABLE AND RESPONSIBLE FOR THOSE LOSSES.

THIS POLICY PROVIDES LIABILITY COVERAGE FOR INJURIES OR DEATH CAUSED TO OTHER PERSONS IN THE TOTAL AMOUNT OF TEN THOUSAND DOLLARS (\$10,000) PER PERSON IN ANY ONE ACCIDENT, AND UP TO A TOTAL AMOUNT OF TWENTY THOUSAND (\$20,000) FOR ALL PERSONS IN ANY ONE ACCIDENT. THE POLICY ALSO PROVIDES UP TO A TOTAL AMOUNT OF THREE THOUSAND DOLLARS (\$3,000) IN LIABILITY COVERAGE FOR PROPERTY DAMAGE IN ANY ONE ACCIDENT. IF YOU WANT MORE INSURANCE COVERAGE, YOU MUST REQUEST A DIFFERENT POLICY.

THIS POLICY ALSO DOES NOT COVER DAMAGE TO YOUR OWN VEHICLE, LOSSES RESULTING FROM YOUR BODILY INJURY OR DEATH, OR COVERAGE FOR LOSSES CAUSED BY AN UNINSURED OR UNDERINSURED DRIVER. HOWEVER, THESE OTHER COVERAGES MAY BE AVAILABLE AT EXTRA COST THROUGH OTHER INSURERS.

THIS POLICY DOES NOT COVER ANY OTHER DRIVER IN YOUR HOUSEHOLD WHO:

(a) IS UNDER 19 YEARS OF AGE; OR



(b) HAS LESS THAN 3 YEARS OF CONTINUOUSLY LICENSED DRIVING EXPERIENCE; OR

(c) HAS MORE THAN ONE OF EITHER, OR BOTH, OF THE FOLLOWING:

—A PROPERTY DAMAGE ONLY ACCIDENT IN WHICH THE DRIVER WAS PRINCIPALLY AT FAULT.

—A POINT FOR A MOVING VIOLATION; OR

(d) HAS IN THE PREVIOUS 3 YEARS AN AT-FAULT ACCIDENT INVOLVING BODILY INJURY OR DEATH; OR

(e) HAS A FELONY OR MISDEMEANOR CONVICTION FROM A VIOLATION OF THE VEHICLE CODE ON HIS OR HER MOTOR VEHICLE RECORD.”

(b) When the certified producer establishes delivery of the disclosure form specified in subdivision (a) by obtaining the signature of the applicant or insured, there shall be a conclusive presumption that the certified producer has complied with the disclosure requirements of this section.

11629.96. For a low-cost automobile insurance policy issued pursuant to the pilot program, certified producers shall be entitled to the same commission rate as is paid by the California Automobile Assigned Risk Plan for private passenger, nonfleet risks under Article 4 (commencing with Section 11620). No other fees of any kind may be charged or collected in this regard and the sale of a low-cost policy under this article shall not be conditioned on the purchase of any other product or service.

11629.97. (a) A low-cost automobile insurance policy issued pursuant to the pilot program shall be canceled only for the following reasons:

(1) Nonpayment of premium.

(2) Fraud or material misrepresentation affecting the policy or the insured.

(3) The purchase of additional automobile liability insurance coverage in violation of subdivision (a) of Section 11629.98.



(4) The purchase or maintenance of automobile liability insurance coverage other than a low-cost policy for any additional vehicles in the insured's household, in violation of subdivision (b) of Section 11629.98.

(b) A policy shall be nonrenewed only for the following reasons:

(1) A substantial increase in the hazard insured against.

(2) The insured no longer meets the applicable eligibility requirements. In this regard, the eligibility of an insured shall be recertified by the California Automobile Assigned Risk Plan after the first year of eligibility, and annually thereafter by the insurer that issued the policy.

11629.98. (a) An insured under the pilot program shall not purchase automobile liability insurance coverage that is in addition to the liability coverage provided by the low-cost policy. However, the insured may purchase any other additional type of automobile insurance coverage, such as uninsured motorist coverage or collision coverage outside the plan.

(b) An insured under the pilot program shall not purchase or maintain any automobile liability insurance coverage other than a low-cost policy for any additional vehicles in the insured's household.

(c) No more than two low-cost policies are permitted in an insured's household.

11629.99. (a) The pilot program is authorized to commence operations on January 1, 2000, but shall be fully operational no later than July 1, 2000.

(b) To this end, the commissioner, in consultation with the California Automobile Assigned Risk Plan, shall adopt regulations to implement the provisions of this article within 60 days of its effective date. The regulations shall be adopted as emergency regulations in accordance with Chapter 3.5 (commencing with Section 11340) of the Government Code, and for purposes of that chapter, the adoption of the regulations shall be considered by the Office of Administrative Law to be necessary for the

immediate preservation of the public peace, health and safety, and general welfare.

11629.991. Notwithstanding the coverage amounts required by Section 16056 of the Vehicle Code, a low-cost automobile policy issued under the pilot program shall satisfy the financial responsibility requirements of Section 16021 of the Vehicle Code.

11629.992. The California Automobile Assigned Risk Plan shall report to the Legislature on an annual basis, commencing January 1, 2001, and at those additional times as it deems prudent, on the status of the pilot program.

11629.993. Nothing in this article is intended to amend or otherwise affect or interpret any provision of Proposition 103, approved by the electors on November 8, 1988, and no provision of that initiative measure applies to this article.

11629.994. An action challenging the constitutionality of the establishment of the pilot program by this article shall be commenced in a court of competent jurisdiction no later than February 1, 2000.

11629.995. This article shall remain in effect only until January 1, 2004, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2004, deletes or extends that date.

SEC. 3. Section 16020.2 is added to the Vehicle Code, to read:

16020.2. (a) On and after January 1, 2004, Section 4000.37 does not apply in the City and County of San Francisco.

(b) On and after January 1, 2004, subdivisions (a) and (b) of Section 16028 do not apply to a person who drives a motor vehicle upon a highway in the City and County of San Francisco.



Approved _____, 1999

Governor

